

This ruling was withdrawn on 17 May 2011. Please refer to [PTA039](#) for further information on how to determine in which Australian jurisdiction (State or Territory) payroll tax is to be paid.

Payroll Tax Ruling PTA002

Expatriate Employees

Version	Issued	Dates of Effect	
1	1 July 2009	From: 1 July 2009	To: 17 May 2011

PREAMBLE

The *Payroll Tax Act* (the Act), which commenced on 1 July 2009, rewrites the *Pay-roll Tax Act* to largely harmonise it with the legislation of other states. One of the areas that has been harmonised is liability for wages paid for services performed in another country.

Whether wages of an employer are subject to the payment of payroll tax in the Territory will depend upon where the work is performed by an employee and where the payment is received by an employee.

Employers who have expatriate employees should be aware that wages, which include a wide variety of payments made to these employees, may be subject to payroll tax where payments are received in the Territory in relation to employees working overseas, or payments are received overseas by employees working in the Territory .

The purpose of this Payroll Tax Ruling is to clarify an employer's liability under section 10 of the Act in respect of wages paid to expatriate employees.

RULING

Expatriate employees working overseas

Assignment for less than six months

Wages received in the Territory by an expatriate employee who is working in another country, or countries, are taxable where the assignment in another country, or countries, is no more than six continuous months.

If only part of the wages earned by an expatriate employee working in another country, or countries, are received in the Territory, then such wages must be declared for payroll tax.

Assignment for greater than six months

Where services are performed by an employee on a continuous assignment in another country, or countries, for greater than six months, any wages received in the Territory are not subject to payroll

tax (i.e. the exemption from payroll tax on such wages applies for the whole assignment, including the first six months).

The six month period does not have to be within the one financial year but must be a continuous period. Where an employee working in another country returns to Australia, it will not be considered to be a break in continuity in the following circumstances:

1. the employee returns for a holiday; or
2. the employee returns to perform work exclusively related to the overseas assignment for a period of less than one month;

and in either case, the employee immediately returns to that overseas country to perform further work on the assignment.

Services performed offshore

Any wages that relate to services performed offshore and beyond the limits of any Australian State or Territory, ***but not in another country***, are taxable if they are received in the Territory irrespective of the duration of the assignment. As such, the exemption that applies to wages received in the Territory for work performed in another country is not applicable.

Expatriate employees working within the Territory or paid in the Territory

It is common practice for overseas parent companies to send employees to work for their Territory subsidiaries or branches on a permanent or temporary basis. Wages paid to such persons in the Territory are subject to payroll tax in the Territory in any calendar month where the employee works wholly or partly in the Territory. Wages paid in another State or Territory are subject to payroll tax in the Territory in any calendar month where the employee works wholly in the Territory.

Wages paid outside Australia are subject to payroll tax in the Northern Territory in any calendar month where the employee works mainly in the Territory.

Where the expatriate employee receives his or her wages in the Territory but works in two or more States or Territories other than the Territory in a calendar month, such wages are taxable in the Territory.

Although the basis for determining whether payments made, or benefits provided, to expatriates are subject to payroll tax is essentially the same as applies to other wage payments. The following clarification is provided.

Wages paid in a foreign currency

When calculating the value of the payment, the Territory Revenue Office will accept an exchange rate conversion, based upon the Reserve Bank of Australia's daily rate published, for the day of payment. If this creates difficulties, the employer may use, as an alternative, the yearly average rate for the financial year, as published by the Australian Taxation Office. The previous year's figure may be applied for the purpose of making monthly returns, provided that the current year's rate is used to make an appropriate adjustment in the Annual Adjustment return.

Bonuses paid overseas to expatriates relating to employer/group performance

Subject to the following paragraph, the value of bonuses paid overseas as a result of an employer's, or employer group's performance, are subject to payroll tax and should be declared in the Territory to the extent that they relate to a period in which the expatriate worked in the Territory,

regardless of when the bonus is paid. If the bonus is paid for a period in which the expatriate worked wholly in the Territory, the whole of the bonus paid is subject to payroll tax.

A bonus paid overseas for a financial year in which the expatriate worked at least partly in the Territory will be subject to payroll tax in the Territory only if the expatriate worked in Australia for more than one half of that financial year. The amount of bonus to be declared is to be calculated on a pro rata basis using the number of calendar months in which the expatriate worked mainly in the Territory.

For example, where an annual bonus of \$12 000 is paid overseas to an expatriate employee who worked in Australia for a total of seven months, of which three months were worked mainly in the Territory, three-twelfths of \$12 000 (\$3000) is subject to Territory payroll tax.

The bonus would not be taxable in the Territory if the expatriate employee worked in Australia for less than six months.

Fringe benefits

Benefits provided to expatriate employees that fall within the provisions of the *Fringe Benefits Tax Assessment Act 1986* are subject to payroll tax based on the taxable value of the fringe benefit grossed up using the Type 2 factor only.

Employer contribution to superannuation funds

The definition of wages includes employer contributions to superannuation funds. The superannuation contributions of expatriate employees are taxable if paid or payable for, or in relation to, a person whose wages, or other remuneration, are subject to payroll tax.

Please note that rulings do not have the force of law. Each decision made by the Territory Revenue Office is made on the merits of each individual case, having regard to any relevant ruling. Commissioner's Guideline CG-GEN-001, which sets out information on the revenue publication system, is incorporated into and is to be read as one with this Ruling. All Circulars, Guidelines and Rulings are available from www.revenue.nt.gov.au



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